

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 PM-03 L-02 SS-15 SP-02 CIAE-00

INR-07 NSAE-00 RSC-01 EB-07 TRSE-00 OMB-01 AID-05

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 7072

INFO SECDEF

AMEMBASSY BEIRUT

USCINCEUR

CSAF

C O N F I D E N T I A L ATHENS 557

BEIRUT FOR RCAA

EO 11652: GDS

TAGS: MASS EAIR EINV EIND BEXP GR US

SUBJECT: HELLENIC AEROSPACE INDUSTRY (HAI)/GOG

NEGOTIATIONS RECONVENE

REF: ATHENS 8168, 11/13/74

1. COL. R. P. MCGROARTY, JUSMAGG AIRFORCE SECTION CHIEF, REPORTED THAT IN JAN 17 MEETING WITH MAX HELZEL, LOCKHEED SERVICES V.P. DESCRIBED LATEST DEVELOPMENTS IN HAI NEGOTIATIONS WITH GOG. SINCE HIS RETURN TO GREECE JAN 6 HELZEL MET WITH MINISTERS OF COORDINATION, FINANCE, AND DEFENSE, AND CHIEF HAF. HE REPORTS SEVERAL SIGNIFICANT POINTS IN CONTRACT HAVE BEEN AGREED UPON. THE KEY ONES ARE:

(A) ARBITRATION OF PENALTIES. AFTER INITIATIVE OF CHIEF HAF, ALL THREE MINISTERS HAVE CONCEDED TO LOCKHEED'S DEMAND FOR INTERNATIONAL ARBITRATION IN EVENT OF DEFAULT ON CONTRACT.

(B) CUSTOMS AND TAX WAIVER, GOG HAS WAIVED CUSTOMS AND TAXES FOR PERSONNEL OF LOCKHEED, GE, WESTINGHOUSE, AND
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AUSTIN ASSIGNED TO HAI.

(C) COST ESCALATION. THIS POINT IS STILL IN CONTENTION AND APPEARS TO BE THE MAJOR POINT AT ISSUE. DESPITE DOD INTERCESSION, GE AND WESTINGHOUSE HAVE CHANGED THEIR POSITION ONLY SLIGHTLY AFTER REVIEWING COST SCHEDULES. GOG, THOUGH AWARE COSTS HAVE RISEN, IS NOT SATISFIED. FACT THAT NEGOTIATIONS CONTINUED, HOWEVER, IS ENCOURAGING.

2. GOG MINISTERS CONCERNED AGREED SUBMIT TO PARLIAMENT FOR APPROVAL DURING WEEK OF JAN 20 A BILL STATING GOG'S INTENTION TO SIGN CONTRACT WITH LOCKHEED AS PRIME MANAGER OF THIS GREEK DEFENSE INDUSTRY. WHEN BILL PASSED BY PARLIAMENT, GOG INTENDS INVITE GE AND WESTINGHOUSE BACK TO NEGOTIATING TABLE FOR HOPED-FOR FINAL AGREEMENT ON PRICE ESCALATION AND FINAL CONTRACT SIGNATURE.
KUBISCH

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Message Attributes

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